

**CASS COUNTY TRANSPORTATION AUTHORITY**

**FINANCIAL STATEMENTS**

**September 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CASS CO. TRANS. AUTHORITY	County CASS
Fiscal Year End SEPTEMBER 30, 2006	Opinion Date NOVEMBER 28, 2006	Date Audit Report Submitted to State December 8, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

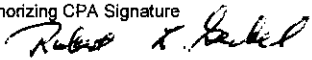
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2

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number 269-983-0534	
Street Address 830 PLEASANT STREET PO BOX 44		City ST. JOSEPH	State MI
		Zip 49085	
Authorizing CPA Signature 		Printed Name ROBERT L. GERBEL	License Number 3953

# CASS COUNTY TRANSPORTATION AUTHORITY

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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Management's Discussion & Analysis**

**Description of Basic Financial Statements**

The Cass County Transportation Authority (the "Authority") is a public transportation authority located in Cass County, Michigan. The Authority uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2006. The Authority's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

**Financial Highlights**

The Authority's total expenses were \$588,671 while total revenues were \$735,774 (\$198,216 operating revenue; \$536,008 non-operating revenues; \$1,550 adjustments). The Authority's total revenues were sufficient to cover expenses for the year.

The Authority's total net assets at September 30, 2006 were \$753,180 of which \$261,731 was invested in fixed assets (land, buildings, buses, shop equipment and office equipment).

The Authority received \$217,961 in state operating assistance. This exceeded the 39.255% of eligible expenses by \$13,280. This has been recorded as a current year payable. The Authority received \$61,381 in Section 5311 federal operating assistance. This was below the eligible 17.0% by \$26,685. This has been recorded as a receivable for the current year.

**Condensed Financial Information**

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ending September 30, 2006 and September 30, 2005.

	<u>September 30, 2006</u>	<u>September 30, 2005</u>
Assets:		
Fixed assets	\$261,731	\$252,941
Other assets	<u>561,169</u>	<u>416,396</u>
Total assets	<u>\$822,900</u>	<u>\$669,337</u>
Liabilities:		
Current liabilities	<u>\$ 69,720</u>	<u>\$ 63,260</u>
Total liabilities	<u>\$ 69,720</u>	<u>\$ 63,260</u>
Net Assets:		
Invested in fixed assets, net of related debt	\$261,731	\$252,941
Unrestricted net assets	<u>491,449</u>	<u>353,136</u>
Total net assets	<u>\$753,180</u>	<u>\$606,077</u>
 Total liabilities & net assets	 <u>\$822,900</u>	 <u>\$669,337</u>

(a) *Net Assets* - Net assets, the difference between assets and liabilities.

(b) *Fixed Assets* - Fixed assets are made up of property, buildings, equipment and buses.

(c) *Other Assets* - Other assets consist of cash, investments, receivables and prepaid expenses.

(d) *Liabilities* - Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

### **Changes in Net Assets**

The 2006 fiscal year represents the Authority's eighteenth year in running the County transit program. The table below summarizes the Authority's operations for the September 30, 2006 and 2005 fiscal years.

Revenues:	2006	2005
Operating revenue:		
Fares	\$198,216	\$191,373
Reimbursed Expenses	<u>0</u>	<u>1,897</u>
Total operating revenues	<u>\$198,216</u>	<u>\$193,270</u>
Nonoperating revenues:		
State grants	\$355,723	\$213,529
Federal grants	163,182	49,649
Interest earned	<u>17,103</u>	<u>7,456</u>
Total nonoperating revenues	<u>\$536,008</u>	<u>\$270,634</u>
<b>Total Revenues</b>	<b><u>\$ 734,224</u></b>	<b><u>\$463,904</u></b>
Expenses:		
Purchased transportation	\$427,519	\$394,370
Repairs and maintenance	210	360
Services	21,015	19,451
Office supplies	15	16
Insurance	73,695	51,799
Other	1,546	3,976
Depreciation	<u>64,671</u>	<u>76,863</u>
<b>Total Expenses</b>	<b><u>\$ 588,671</u></b>	<b><u>\$546,835</u></b>
Net gain before adjustments	\$ 145,553	\$(82,931)
Total Adjustments	<u>1,550</u>	<u>(31,506)</u>
<b>Net Gain for the year</b>	<b>\$147,103</b>	<b>\$(114,437)</b>
Net assets - Beginning of the year	<u>606,077</u>	<u>720,514</u>
<b>Total net assets - End of the year</b>	<b><u>\$ 753,180</u></b>	<b><u>\$606,077</u></b>

### **Summary of Operations**

#### **1. Budget:**

##### **Expenditures**

	MDOT <u>Eligible Operating</u>	<u>Audit</u>	Difference <u>Audit vs. Budget</u>
2005-2006	\$ 555,250	\$ 521,603	(\$ 33,647)

Revenues	MDOT <u>Approved</u>	<u>Audit</u>	Difference <u>Audit vs. Budget</u>
2005-2006	\$ 555,250	\$ 734,224	\$178,974

The Authority did not amend the MDOT approved budget during the year.

## 2. General Report on FY 2006 Operations:

Operation of the Cass County Transportation Authority remained unchanged throughout FY 2006. The Authority's seven member Board met on a monthly basis to set program policy and direction, approve expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board also continued to contract for administrative oversight services. The County Treasurer provides financial services and the County Clerk takes minutes for the Board's meetings.

Funding composition for the transit service consists of State, Federal and local dollars. Federal operating assistance increased from 12.4% to 17%, the State formula operating assistance from MDOT remained stable at 39.25 % for FY 2006. Combined state and federal operating is targeted at 55% for FY 2007. The significant fare increase implemented by the Authority for FY 2006 helped with the required local share.

Total ridership was down again. It dropped by 2,349 passengers from 34,607 to 32,258. This is the sixth year in a row ridership has declined. Elderly passengers is the only sector that increased. Total days operated was 252. A portion of the decrease in ridership can be attributed to the planned reduction in vehicle hours that was implemented to assist with balancing the budget.

Both operating expenses and revenues were higher in FY 2006. The increase in expenses was primarily in the areas of purchased transportation service and insurance. The increase in revenue was primarily due to the increases in passenger/contract fares, interest income and increased federal operating assistance. Non-operating revenue also increased due to reconciliation payments of state and federal operating assistance from prior years. Vehicle hours operated decreased by 392 hours and vehicle miles decreased by 25,903 miles. The total cost per vehicle hour of service increased 16.33% to \$46.66/vehicle hour. A portion of this increase can also be attributed to spreading the fixed costs for the system across fewer vehicle hours.

The Authority is currently in a financially solid position. Their plan for bringing the budget back into balance appears to be taking effect although it will take a few years to accomplish. Future insurance and fuel costs, decreases in state operating funds and decreasing contract ridership must all be closely monitored to preserve a reasonable amount of retained earnings for unforeseen expenses.

## **CASS COUNTY TRANSPORTATION AUTHORITY**

### **BOARD MEMBERS**

DONALD LYONS	CHAIRPERSON
DR. FRED MATHEWS	VICE CHAIRPERSON
JAMES SAYER	SECRETARY/TREASURER
JOHN MILLER	MEMBER
THOMAS McCAUSLIN	MEMBER
CATHY GOODENOUGH	MEMBER
LILA CONRAD (Oct. 2005 - Mar 2006)	MEMBER
ARNOLD SHTEN (Apr. 2006 - Sep. 2006)	MEMBER
LINDA IRWIN	CASS COUNTY TREASURER AS TREASURER EX-OFFICIO
BARBARA WILSON	CASS COUNTY CLERK AS CLERK EX-OFFICIO

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 28, 2006

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cass County Transportation Authority as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass County Transportation Authority's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements with the exception of the Schedule of Mileage on page 14. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Schedule of Mileage on page 14 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*Gerbel & Company, P.C.*

**Right. On time.**



**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Net Assets**  
**September 30, 2006**

**Assets**

Current Assets

Cash	\$ 49,199
Investments	465,836
Fares receivable	13,464
Due from State of Michigan - Federal	26,685
Prepaid insurance	<u>5,985</u>
 Total Current Assets	 <u>\$ 561,169</u>

Noncurrent Assets - NOTE 4

Land	\$ 7,524
Building	357,303
Buses	762,935
Shop equipment	28,946
Office equipment	<u>35,016</u>
	\$ 1,191,724
Less: Accumulated depreciation	<u>929,993</u>
 Total Noncurrent Assets	 <u>\$ 261,731</u>

TOTAL ASSETS	<u>\$ 822,900</u>
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**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 34,333
Due to State of Michigan - State	<u>35,387</u>
 Total Current Liabilities	 <u>\$ 69,720</u>

Net Assets

Invested in capital assets, net of related debt	\$ 261,731
Unrestricted net assets	<u>491,449</u>
 Total Net Assets	 <u>\$ 753,180</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 822,900</u>
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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Year Ended September 30, 2006**

Operating Revenue	
Fares	\$ 198,216
Reimbursed expenses	<u>-</u>
Total Operating Revenue	198,216
Operating Expenses	<u>588,671</u>
Net Operating Loss	<u>\$ (390,455)</u>
Nonoperating Revenues	
Local:	
Interest earned	<u>\$ 17,103</u>
State:	
State of Michigan Grants - State	
Operating assistance - current year	\$ 204,753
Operating assistance - prior year(s)	135,479
State of Michigan Grants - Federal	
Section 5311 assistance - current year	88,066
Section 5311 assistance - prior year(s)	16,347
State of Michigan Grants - Federal	
capital contributions	58,769
State of Michigan Grants - State	
capital contributions	14,692
State of Michigan Grants - reimbursement	
for seminars, training and expenses	<u>799</u>
Total State Nonoperating Revenue	<u>\$ 518,905</u>
Total Nonoperating Revenues	<u>\$ 536,008</u>
Net income before adjustments	\$ 145,553
Sale of fixed assets	<u>1,550</u>
Net income for the year	\$ 147,103
Net Assets - Beginning of the Year	<u>606,077</u>
NET ASSETS - END OF THE YEAR	<u>\$ 753,180</u>

The accompanying notes are an integral part of these financial statements.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2006**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 199,167
Payments to suppliers of goods and services	(504,358)
Payments to contracted employees	<u>(17,175)</u>

Net cash used by operating activities \$ (322,366)

**Cash Flows from Noncapital Financing Activities:**

State and Federal operating assistance \$ 422,956

Net cash provided by noncapital financing activities \$ 422,956

**Cash Flows from Capital and Related Financing Activities:**

Purchase of fixed assets	\$ (73,461)
Contributed capital from State and Federal	73,461
Sale of fixed assets	<u>1,550</u>

Net cash provided by capital and related financing activities \$ 1,550

**Cash Flows from Investing Activities:**

Interest \$ 17,103

Net cash provided by investing activities \$ 17,103

Net increase in cash \$ 119,243

Cash and investments at beginning of year 395,792

CASH AND INVESTMENTS AT END OF YEAR \$ 515,035

**Reconciliation of operating income to net cash provided by operating activities:**

Operating loss	\$ (390,455)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	64,671
Decrease in receivables-fares	951
Decrease in prepaid insurance	204
Increase in accounts payable	<u>2,263</u>

NET CASH FLOWS FROM OPERATIONS \$ (322,366)

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Cass County Transportation Authority is a public body organized as a legal entity pursuant to the "Public Transportation Authority Act" P.A. 196 of the Public Acts of 1986. The Authority was created to coordinate the transportation for human service agencies by Cass County. Services are provided for the County of Cass except for the area covered by the Dowagiac Dial-A-Ride. The Authority has the capability and the authority to provide public transportation to the general public in the area serviced.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Authority's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Authority's operations are accounted for as a Business Type Activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

**Accounting Pronouncements**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). This statement established financial reporting standards for state and local governments including special purpose government such as the Authority. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fixed Assets and Depreciation**

Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	10-20 years
Buses	5-10 years
Shop Equipment	5-10 years
Office Equipment	5-10 years

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Operating Assistance Overpayments Payable**

Overpayments of \$13,208 and \$31,190 for the years ended September 30, 2006 and 2005 respectively were computed and restated as follows:

	<u><b>2006</b></u>	<u><b>2005</b></u>
Operating Expenses	\$ 588,671	\$ 546,835
Less:		
Depreciation - current fiscal year	(64,671)	(76,773)
Sale of fixed assets	(1,550)	-
Ineligible portion of MPTA dues	(48)	(48)
Recall work on bus reimbursement	-	(1,797)
Seminars and other reimbursements	(799)	(710)
	<u>521,603</u>	<u>467,507</u>
Eligible operating expenses subject to limitation	\$ 521,603	\$ 467,507
39.2545% of eligible operating expenses (38.438% for 2005)	\$ 204,753	\$ 179,698
State revenues received	<u>217,961</u>	<u>210,888</u>
Underpayment from state	<u>\$ (13,208)</u>	<u>\$ (31,190)</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Section 5311 Operating Assistance Receivable (Formerly Section 18)</b>		
Operating Expenses	\$ 588,671	\$ 546,835
Less:		
Depreciation - current fiscal year	(64,671)	(76,773)
Sale of fixed assets	(1,550)	-
Audit expense	(3,570)	(3,400)
Ineligible portion of MPTA dues	(48)	(48)
Recall work on bus reimbursement	-	(1,797)
Other reimbursements	<u>(799)</u>	<u>(710)</u>
Net expenses	<u>\$ 518,033</u>	<u>\$ 464,107</u>
Reimbursable rate 17% x Net Expenses (12.4% for 2005) not to exceed \$94,393	\$ 88,066	\$ 57,549
Less progress payments	<u>(61,381)</u>	<u>(41,529)</u>
Section 5311 underpayment due from State of Michigan - Federal	<u>\$ 26,685</u>	<u>\$ 16,020</u>

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-term Investments** - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

**Long-term Investments** - The Authority's investment policy does not address investments other than the short-term investments stated above.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

**Interest Rate Risk** - The Authority minimizes interest rate risk by investing in short-term highly liquid investments.

As of September 30, 2006, the Authority had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Certificates of Deposit	\$ 280,204	\$ 280,204	\$ -	\$ -
Money Market	185,632	185,632	-	-
Total Investments	<u>\$ 465,836</u>	<u>\$ 465,836</u>	<u>\$ -</u>	<u>\$ -</u>

**Credit Risk** - Deposits are carried at cost. Deposits of the Authority are at various banks in the name of the Cass County Treasurer. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Michigan law allows public money to be deposited in financial institutions located in states other than Michigan, as long as the financial institutions have at least one branch in Michigan. The Authority's funds were deposited in three financial institutions that meet these requirements.

**Concentration of Credit Risk** - The Authority's policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested with a single financial institution.

**Custodial Credit Risk** - The Treasurer recommends financial institutions based on an evaluation of performance and solvency of the institution, as well as past performance and solvency of the institution. As of June 30, 2006, the Authority's funds were deposited in three institutions that meet this criteria. At year-end the carrying amount of the Authority's deposits was \$515,035 and the respective bank balance totaled \$515,365. None of the total bank balance is considered covered by the Federal Deposit Insurance Corporation (FDIC), as the Authority's funds are jointly invested with the Cass County funds. Only a portion of the overall total investment would be covered by the FDIC, the portion of which that would be attributable to the Authority funds is not determinable.

**NOTE 3 - COST ALLOCATIONS**

The Transportation Authority has cost allocation plans for all allocated expenses. All allocation plans except for those described in the accompanying schedule of findings and questioned costs, if any, are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2006**

**NOTE 4 - CHANGES IN FIXED ASSETS**

The following schedule represents the changes in fixed assets of the Cass County Transportation Authority for the year ended September 30, 2006:

	<u>Balance</u> <u>October 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2006</u>
Assets not being depreciated:				
Land	\$ 7,524	\$ -	\$ -	\$ 7,524
Other Capital Assets:				
Building	\$ 357,303	\$ -	\$ -	\$ 357,303
Buses	800,554	73,461	(111,080)	762,935
Shop equipment	28,946	-	-	28,946
Office equipment	35,016	-	-	35,016
Total Other Capital Assets	\$ 1,221,819	\$ 73,461	\$ (111,080)	\$ 1,184,200
Total Capital Assets	\$ 1,229,343	\$ 73,461	\$ (111,080)	\$ 1,191,724
Accumulated depreciation	(976,402)	(64,671)	111,080	(929,993)
Net fixed assets	\$ 252,941	\$ 8,790	\$ -	\$ 261,731

**NOTE 5 - RISK MANAGEMENT**

The Transportation Authority participates in a risk pool. The Transportation Authority is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim. In the fiscal periods ending November 30, 2002 and 2003, the pool incurred over \$4.8 million, \$3.9 million respectively in losses due to lawsuits. As a result of these losses, each member is required to pay a share of the total liability over several years to help replenish depleted reserves. The Transportation Authority is required to make the following remaining estimated payments:

<u>Fiscal Year</u>	<u>FY2002</u>	<u>FY2003</u>	<u>Total</u>
September 30, 2007	13,130	11,996	25,126

These amounts are only estimates. The actual outcomes of lawsuits still in process may cause these liabilities to be adjusted accordingly.



**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Operating Expenses**

			General and Administrative	Year Ended September 30,	
	<u>Operations</u>	<u>Maintenance</u>		<u>2006</u>	<u>2005</u>
Purchased transportation services	\$ 427,519	\$ -	\$ -	\$ 427,519	\$ 394,370
Repairs and maintenance	-	210	-	210	360
Services:					
Advertising and notices	270	-	-	270	76
Audit	-	-	3,570	3,570	3,400
Coordinator	-	-	17,175	17,175	15,975
Office supplies and expense	-	-	15	15	16
Insurance	73,695	-	-	73,695	51,799
Other:					
Training	-	-	343	343	1,066
Other	-	-	1,155	1,155	965
Operating expenses ineligible for reimbursement	-	-	48	48	1,945
Depreciation	<u>58,810</u>	<u>2,961</u>	<u>2,900</u>	<u>64,671</u>	<u>76,863</u>
 TOTAL OPERATING EXPENSES	 <u>\$ 560,294</u>	 <u>\$ 3,171</u>	 <u>\$ 25,206</u>	 <u>\$ 588,671</u>	 <u>\$ 546,835</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Net Eligible Costs Computations of General Operations**

	<b>Federal Section 5311</b>		<b>Local Operating Assistance</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Operating Expenses:				
Purchased transportation services	\$ 427,519	\$ 394,370	\$ 427,519	\$ 394,370
Repairs and maintenance	210	360	210	360
Services:				
Advertising and notices	270	76	270	76
Audit	3,570	3,400	3,570	3,400
Coordinator	17,175	15,975	17,175	15,975
Office supplies and expense	15	16	15	16
Insurance	73,695	51,799	73,695	51,799
Other:				
Training	343	1,066	343	1,066
Other	1,155	965	1,155	965
Operating expenses ineligible for reimbursement	48	1,945	48	1,945
Depreciation	<u>64,671</u>	<u>76,863</u>	<u>64,671</u>	<u>76,863</u>
<b>Total Operating Expenses</b>	<b><u>\$ 588,671</u></b>	<b><u>\$ 546,835</u></b>	<b><u>\$ 588,671</u></b>	<b><u>\$ 546,835</u></b>
Less: Ineligible Expenses				
Depreciation - current fiscal year	\$ 64,671	\$ 76,773	\$ 64,671	\$ 76,773
Sale of fixed assets	1,550	-	1,550	-
Audit expense	3,570	3,400	-	-
Seminars and other reimbursements	799	710	799	710
Recall work on bus reimbursement	-	1,797	-	1,797
Portion of association dues	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>
<b>Total Ineligible Expenses</b>	<b><u>\$ 70,638</u></b>	<b><u>\$ 82,728</u></b>	<b><u>\$ 67,068</u></b>	<b><u>\$ 79,328</u></b>
<b>Net Eligible Expenses</b>	<b><u>\$ 518,033</u></b>	<b><u>\$ 464,107</u></b>	<b><u>\$ 521,603</u></b>	<b><u>\$ 467,507</u></b>
State Statutory Operating Assistance:				
39.2545% of eligible operating expenses				
(38.437574823% for 2005)			<u>\$ 204,753</u>	<u>\$ 179,698</u>
Federal Section 5311:				
17% of eligible operating expenses				
(12.4% for 2005)	<u>\$ 88,066</u>	<u>\$ 57,549</u>		

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Financial Assistance - Federal and State**

<b><u>Federal Grantor/ Pass Through Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>State Grantor Number</u></b>	<b><u>Program or Award Amount</u></b>	<b><u>Federal Receipts/ Revenue</u></b>	<b><u>State Receipts/ Revenue</u></b>	<b><u>Disbursements/ Expenditures</u></b>	<b><u>Amount Remaining</u></b>
U.S. Department of Transportation Direct Assistance Capital Assistance (MI-18-X034)	20.500	N/A	\$ 42,449	\$ 42,449	\$ -	\$ 42,449	\$ -
(MI-03-0215)	20.500	N/A	16,320	16,320	-	16,320	-
			<u>\$ 58,769</u>	<u>\$ 58,769</u>	<u>\$ -</u>	<u>\$ 58,769</u>	<u>\$ -</u>
Michigan Department of Transportation Capital Assistance	N/A	2002-0026/Z6	\$ 10,612	\$ -	\$ 10,612	\$ 10,612	\$ -
Capital Assistance	N/A	2002-2026/Z4	4,080	-	4,080	4,080	-
			<u>\$ 14,692</u>	<u>\$ -</u>	<u>\$ 14,692</u>	<u>\$ 14,692</u>	<u>\$ -</u>
Total Capital Assistance				<u>\$ 58,769</u>	<u>\$ 14,692</u>	<u>\$ 73,461</u>	<u>\$ -</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Mileage Data (Unaudited)**

<b><u>Demand - Response</u></b>	<b><u>Public Transportation Mileage</u></b>	
	<b><u>Year Ended</u></b>	
	<b><u>September 30,</u></b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
First quarter ended December 31, 2005	64,123	74,829
Second quarter ended March 31, 2006	68,566	77,388
Third quarter ended June 30, 2006	65,281	70,612
Fourth quarter ended September 30, 2006	<u>58,959</u>	<u>60,003</u>
	<u>256,929</u>	<u>282,832</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 28, 2006

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2006, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Cass County Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Cass County Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Right. On time.**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - Continued**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Berkel & Company, P.C.*

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 28, 2006

Members of the Transportation Authority Board  
Cass County Transportation Authority  
Cass County, Michigan

In connection with our examination of the books and records of Cass County Transportation Authority for the year ended September 30, 2006, we offer the following comments and recommendations.

## GENERAL

1. Supporting documentation was detailed and readily available for inspection.
2. The Authority's administration displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.

We appreciate the courtesy and cooperation extended to us by Cass County Transportation Authority. If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

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